

SECRET [REDACTED]

25X1

1 October 1982

MEMORANDUM FOR: W. J. Lehmann  
Chairman, Human Resources Committee

FROM: [REDACTED]  
Assistant National Intelligence Officer  
for USSR/Eastern Europe

25X1

SUBJECT: FOCUS Review for Hungary

1. Introduction

A FOCUS seminar on reporting from Hungary, attended by policy officials and analysts from the Foreign Affairs Community who deal with Hungary, was held under my chairmanship on 9 September. There were over 25 participants, including representatives from State, CIA, DIA, NSA, and Commerce. The following report sums up the views of the Community that were expressed orally at the meeting or in informal written evaluations submitted for it. The consensus of the participants was that on an overall level reporting from Embassy Budapest has been very good; however, they drew attention to a few areas in which more reporting is desirable.

2. Foreign Affairs

The informal memorandum provided by the Department of State for the seminar characterized foreign policy reporting from Budapest as "timely and comprehensive, reflecting a good deal of spot reporting and in-depth analysis." The State memorandum specified that, "The Embassy's reporting on Kadar's visit to the FRG (2165), the Mitterand visit to Hungary (3964, 4052), as well as on official Hungarian (and Soviet) reaction to both the Marjai visit to the US and Hungary's entry into the IMF, are illustrative of the Embassy's adroitness in spot reporting and follow-up analysis." The State memorandum also called attention to "the Embassy's excellent five-part series of reports on 'Kadar's Hungary' (3143, 3161, 4097, 4227, and 4609)." Participants at the seminar generally concurred with this State evaluation and joined in praise of the five reports on "Kadar's Hungary." (The latter were also commended during the seminar's subsequent discussion on reporting on domestic political affairs.)

CL BY Signer  
DECL OADR  
DERIVED FROM MULTIPLE

SECRET [REDACTED]

25X1

SECRET 

25X1

For future reference the participants agreed that while reporting on the relationships of the Hungarian Catholic Church with the Government and with dissidents inside the Church has been sufficient, more follow-up reporting is wanted on relations between the Hungarian Catholic Church and the Vatican. Participants also indicated that we do not know enough about the relationship between Hungary and the Soviet Union, the influence each has on the other, and the direction in which the relationship is moving. To the degree feasible, more basic type reporting on this topic would be welcome.

### 3. Domestic Political Affairs

The informal CIA memorandum commenting on domestic political reporting characterized it as good. "Spot reports are usually thorough, offering background and useful comments." The CIA memorandum noted that "Embassy reporting on socio-political issues has been valuable, including coverage of church-state relations and the pacifist movement within the Catholic Church (Budapest 3481, 3346, and 1606), as well as problems of youth and cultural affairs (Budapest 0989 and 6751)."

For future reporting, the memorandum recommended "more comprehensive overviews of the popular mood and living conditions in the cities and in rural areas," and more information on dissident activities. While Embassy analysis of recent leadership changes has been thoughtful, the memorandum noted "we would appreciate more reporting on party dynamics, political maneuvering, and any evidence of debate or factionalism within the leadership, although we recognize the difficulties in gathering detailed information. Most consumer requests focus on these issues."

The participants at the seminar, while joining in the praise of recent Embassy reporting, also endorsed the foregoing requests. Participants from State suggested a possible follow-on to the five-part series on Kadarism, drawing if possible on expanded contacts within the party hierarchy as well as on the opinions of "the man in the street." Participants from State also specified that more reporting would be appreciated on the nexus between political dissidents and main-line intellectuals such as the writers and poets who have been supporting the political activists. Questions were raised such as, what separates these groups attitudinally, and what are their links outside Hungary? Finally, some participants expressed a desire for faster reporting from the Mission if possible on key issues, particularly those with implications for US interests.

### 4. Economic

The informal CIA memorandum on economic reporting contained the following comments:

"The US Embassy in Hungary has done a good job of covering Hungarian economic problems over the past year; its reporting on financial issues

2  
SECRET 

25X1

has been particularly first-rate. While Embassy reporting has emphasized Budapest's financial problems--and quite properly in our estimation--there has been good coverage of the impact of these difficulties on domestic economic policies. Budapest 2534, Budapest 2665, and Budapest 0210, for example, provided useful information on the debate over the pace and scope of reform and Budapest 3161 supplied a well-balanced, in-depth analysis of its current status. Budapest 4005 provided the first public confirmation of the decision to reduce living standards.

"Spot reports on financial developments have usually proved accurate and have given the first signs of new trends. The Embassy was the first to alert us to Hungary's worsening liquidity problems in early 1982 (Budapest 0872 and Budapest 1752), the development of an austerity strategy by the National Bank for coping with debt problems (Budapest 2135), and the Bank's efforts to gain approval of its program from the leadership (Budapest 3803). The Embassy has also been quick to report new statistics given to the IMF and Western bankers (Budapest 1030 and Budapest 3561) . . . . The Embassy's interpretive reports have provided useful assessment of Hungary's financial position and prospects. The analysis has generally been quite sophisticated and well-supported by facts. The high quality of reporting on Hungary's finances reflects the Embassy's good access to senior Hungarian bankers and Deputy Premier Marjai."

During the discussion at the seminar, State concurred with these comments and expressed the consensus of the participants that the memorandum deservedly praised the Embassy's reporting on recent financial developments and on the debate over economic reforms. For future reporting, CIA and other participants at the seminar expressed the hope that the Embassy could extend its scope of sources and contacts to more economic policymakers within the government and the party.\* As the CIA memorandum put it, "Although we recognize that access to these policymakers is often more difficult than to the bankers, we could use more reporting on debates within the leadership to impose more austerity." The participants also expressed interest in additional reporting on Hungary's economic and trade relations with the Soviet Union and the Soviet Bloc.

\* Subsequent to the assessment State noted that the role of the economic ministries has declined recently as economic influence has shifted to the National Bank.

SECRET

## 5. Military and Security

The memorandum by DIA commenting on reporting on the Hungarian armed forces stated, "We have received some highly useful reporting on exercises in which the evaluation by various attaches of NATO countries have given us a more meaningful picture of the role of the Hungarian military in the Warsaw Pact posture. . . .Data received on troop rotation has been very valuable." The memorandum encouraged continuing reporting on these topics. It continued, "We have received useful and timely information on transportation issues. Particularly useful were reports such as IR 684300-82-82 and 684300-84-82...The reporting has been responsive not only to standing requirements but also to special requests."

The DIA memorandum also noted, "reports on command and control have met the needs of DIA. In this respect, noteworthy was the reporting on the DRUZHBA-82 exercise. The follow-on photography, information on special equipment, and the coordinated judgments of various attaches on the nature of the exercise were greatly appreciated. Especially of value in the reporting on exercises has been the focus on communications set up and train activity."

For requested future reporting, the DIA memorandum also specified "information that can give us further insight into the modernization program of the Hungarian armed forces, reports on the growing offense orientation of the Hungarian Air Force, military personalities and changes in personnel, newspaper articles that deal with Hungarian military personalities and other military affairs, new road construction particularly in strategic areas such as border areas and bypasses around cities, and identification of key locations of critical areas and intelligence facilities in the Budapest area as well as throughout the country."

The participants generally agreed with the foregoing evaluation. For the future the participants would like the US Mission to stress in its military reporting the kind of information that can only be acquired in Hungary. Specifically, participants would like more reporting on the morale, discipline, and political indoctrination of Hungarian armed forces, both officers and enlisted men.

Participants also stressed the particular importance of the reliability question, i.e., what the Soviet commanders can get the Hungarian armed forces to do, or believe they can get the Hungarians to do, in various scenarios such as a move into Poland or general hostilities in the area. Such reporting should highlight the Soviet control mechanism, i.e., how they do it. It should also cover Hungarian relations with Soviet commanders and military representatives such as the Soviet defense attache officers and Soviet Warsaw Pact representatives.

SECRET

SECRET

25X1

State, noting reports of severe sentences for conscientious objectors, recommended reporting on Hungarian attitudes regarding pacifism and on draft evasion or draft resistance. State also recommended reporting on civil defense preparations, particularly organization and underground construction on the basis of personal observations.

#### 6. Memoranda of Conversation

Both in the informal evaluation memoranda and during the seminar, participants expressed particular concern over the adequacy of distribution in Washington of memoranda of conversation sent in by the Embassy. It was recommended that measures be taken to ensure the distribution of non-telegraphic memoranda of conversation to appropriate consumers in CIA and DIA. Participants felt that primary responsibility for adopting procedures to ensure proper distribution is a responsibility of the Department of State and the Mission. Participants recommended that Embassy Budapest specify CIA and DIA as addressees on appropriate memcons.

#### 7. Biographic Reporting

Biographic reporting from the Embassy has been timely and responsive to requirements. The Embassy was particularly helpful in providing assessment and biographic data for a research paper on Hungarian Economic Decisionmakers, and also made a great contribution to the Potential Leader Biographic Reporting List. In addition to providing a steady stream of memoranda containing bio data and assessments, Embassy officers have been very conscientious in annotating biographic reports from Washington.

#### 8. Open Source

An informal evaluation paper from the managers of the Foreign Publications Procurement Program reported that the Embassy's response to both standing requirements and special requests for publications has been excellent, citing many examples. No delinquencies on requests were noted.

[Redacted]

Colonel, USAF

25X1

Attachment:  
Priority National Intelligence Needs

SECRET

5  
[Redacted]

25X1

**Page Denied**